



STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

of

GRANITE ALLIANCE INSURANCE COMPANY

of

Salt Lake City, Utah

as of

December 31, 2020

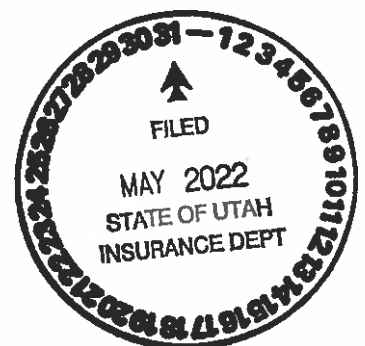


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May 6, 2022

Honorable Jonathan T. Pike, Commissioner

Utah Insurance Department

4315 S 2700 W, Suite 2300

Taylorsville, Utah 84129

Pursuant to your instructions and in compliance with statutory requirements, a coordinated multi-state examination, as of December 31, 2020, has been made of the financial condition and business affairs of:

GRANITE ALLIANCE INSURANCE COMPANY

Salt Lake City, Utah

hereinafter referred to in this report as “the Company” and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

The last full scope examination of the Company was as of December 31, 2017. This is the second full scope examination of the Company since inception. The examination was conducted by representatives of the Utah Insurance Department (Department) and covers the period of January 1, 2018 through December 31, 2020, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination. This is a coordinated examination with representatives of five other state insurance departments, in which Pennsylvania is acting as the lead and facilitating state.

Examination Procedures Employed

We conducted our examination in accordance with the National Association of Insurance Commissioners Financial Condition Examiners Handbook (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause the Company’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in Utah Code § 31A-2-204(7)(a) and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

There are no significant findings for inclusion in this report.

COMPANY HISTORY

General

The Company was incorporated as a stock health insurance company under the laws of the state of Utah on January 16, 2013. A Certificate of Authority was issued by the Department on February 21, 2013, authorizing the Company to transact business as a health maintenance Company.

The Company is an approved provider with the Centers for Medicare and Medicaid Services (CMS) and was founded to provide Veridicus Holdings, LLC with the approved method of providing self-insured groups the ability to benefit from CMS-Authorized Medicare Part D "800 Series" Employer Group Waiver Plans (EGWP) under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. The Company, together with its affiliate VRx, LLC (VRx), provides all administrative, marketing and other operational services to their clients. VRx is a transparent and pass-through Pharmacy Benefit Manager.

The Company was acquired by Veridicus Health, LLC in 2015. In 2017, the Company was purchased by Magellan Health, Inc. (Magellan). In 2022, Magellan was acquired by Centene Corporation.

Dividends and Capital Contributions

There were no dividends or capital contributions during the examination period. Subsequent to the examination date, the Company paid \$4,250,000 to Magellan. The dividend was approved by the Department on October 14, 2021.

Mergers and Acquisitions

On January 7, 2021, the Department received a Form A, Statement Regarding the Acquisition of Control of the Company, an indirect subsidiary of Magellan, by Centene Corporation, a Delaware corporation. The Form A was approved by the Department pursuant to Utah Code §§ 31A-16-103(1)(a) and (b) on April 2, 2021.

MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE

Board of Directors

The Company's bylaws indicate that the number of directors shall be at least three (3) and no more than nine (9). The following persons served as directors of the Company as of December 31, 2020:

Name and Location	Title and Principal Occupation
Mostafa M. Kamal Jersey City, NJ	Chief Executive Officer Magellan Rx Management
David Bourdon Columbia, MD	Chief Financial Officer Magellan Health, Inc.
David Haddock Hadley, MA	General Counsel Magellan Health, Inc.

Committees

There are no committees at the legal entity level. There are four committees at the parent company level: Audit, Nominating and Corporate Governance, Management Compensation, and Compliance and Quality Assurance.

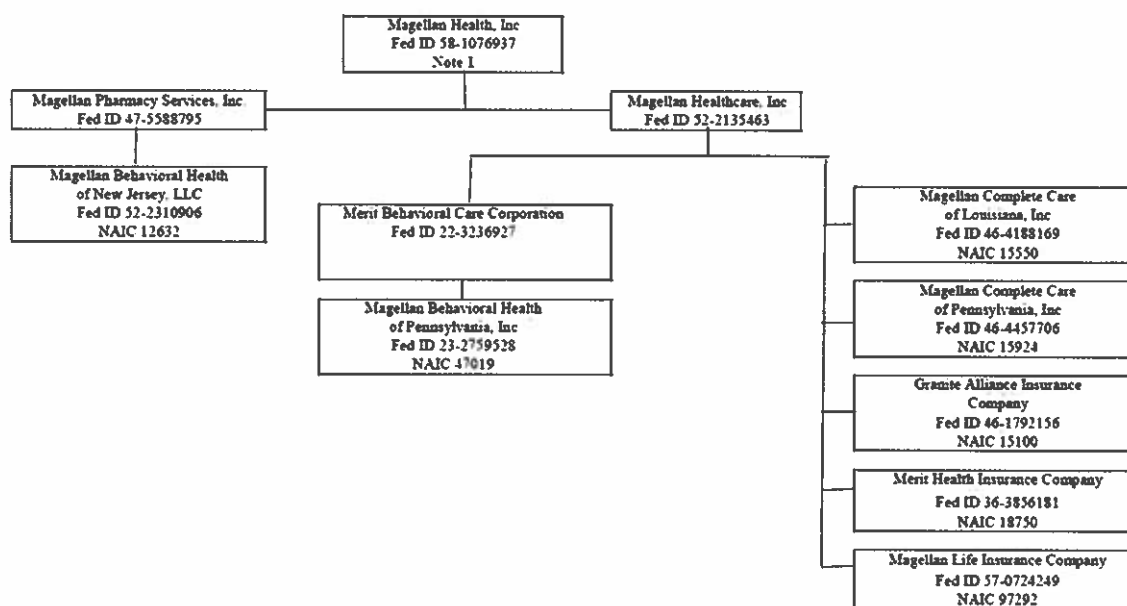
Officers

The officers of the Company as of December 31, 2020 were as follows:

Name	Title
Mostafa M. Kamal	President
David Bourdon	Chief Financial Officer
David Haddock	Secretary
Margie M. Smith	Assistant Secretary
Andrew M. Cummings	Assistant Secretary

Holding Company

As of the examination date, the Company's immediate parent was Magellan Healthcare, Inc., with Magellan Health, Inc. as the ultimate controlling entity. A chart illustrating the holding company system as of December 31, 2020 follows:



Transactions and Agreements with Affiliates

As of the exam date, the Company has a tax allocation agreement with its parent company, Magellan Health Inc., under which the parent company files and pays taxes on behalf of the subsidiaries and the subsidiaries reimburse the parent company for any taxes owed.

The Company also has an Employer Group Waiver Plan agreement with its affiliate, VRx, under which VRx provides administrative services to the Company in exchange for a fee. As of December 31, 2020, the Company had \$5,212,284 in receivables due from parent and affiliates.

TERRITORY AND PLAN OF OPERATION

As of the date of the exam, the Company was only licensed in the state of Utah to write certain Medicare Part D prescription drug contract insurance.

The Company serves its clients in an Administrative Services Only relationship to administer Medicare Advantage Employer Group Waiver Plans for the clients' retirees. As of the examination date, the Company did not have any premium income.

REINSURANCE

The Company neither maintained, nor entered into any assumed or ceded reinsurance arrangements during the examination period.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2020. The accompanying COMMENTS ON FINANCIAL STATEMENTS (if any) reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

GRANITE ALLIANCE INSURANCE COMPANY

BALANCE SHEET

as of December 31, 2020

ASSETS

	Net Admitted Assets
Bonds	\$ 2,029,898
Cash and short-term investments	4,935,736
Investment income due and accrued	3,020
Receivables from parent, subsidiaries and affiliates	5,212,284
Total Assets	\$ 12,180,937

LIABILITIES, CAPITAL AND SURPLUS

	Current Year
General expenses due or accrued	\$ 176,927
Current federal and foreign income tax payable and interest thereon	642,424
Amounts withheld or retained for the account of others	5,257,195
Total Liabilities	\$ 6,076,546
Common capital stock	228
Gross paid in and contributed surplus	3,232,719
Unassigned funds (surplus)	
Total Capital and Surplus	6,104,392
Total Liabilities, Capital and Surplus	\$ 12,180,937

GRANITE ALLIANCE INSURANCE COMPANY
STATEMENT OF REVENUE AND EXPENSES
for the Year Ended December 31, 2020

	Total
General administrative expenses	\$ (2,135,668)
Total underwriting deductions	(2,135,668)
Net underwriting gain or (loss)	2,135,668
Net investment income earned	\$ 80,858
Net realized capital gains (losses)	(351)
Net investment gains (losses)	80,507
Net income or (loss) after capital gains, before federal income tax	2,216,175
Federal and foreign income taxes incurred	465,397
Net income (loss)	\$ 1,750,778

GRANITE ALLIANCE INSURANCE COMPANY
RECONCILIATION OF CAPITAL AND SURPLUS
2018 through 2020

	2018*	2019*	2020*
	<u> </u>	<u> </u>	<u> </u>
Capital and surplus, December 31, prior year	\$2,673,762	\$ 3,866,112	\$ 4,353,614
Net income (loss)	<u>1,152,716</u>	<u>487,501</u>	<u>1,750,778</u>
Change in nonadmitted assets	39,634		
Capital Changes: Paid in			
Surplus adjustments: Paid in			
Aggregate write-ins for gains or (losses) in surplus			
Net change in capital and surplus for the year	<u>1,192,350</u>	<u>487,501</u>	<u>1,750,778</u>
Capital and surplus, December 31, current year	<u>\$ 3,866,112</u>	<u>\$ 4,353,614</u>	<u>\$ 6,104,392</u>

* Per the regulatory financial statements filed with the Utah Insurance Department

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

No adjustments were made to surplus as of December 31, 2020, as a result of the examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

There are no comments on financial statement items as of December 31, 2020, as a result of the examination.

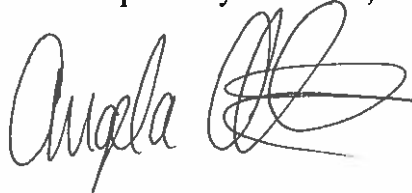
SUBSEQUENT EVENTS

On May 5, 2022, Centene Corporation announced the sale of the Magellan pharmacy business unit to Prime Therapeutics LLC. This proposed transaction, which is subject to receipt of applicable regulatory approvals, includes the sale of 100% of the capital stock of the Company.

ACKNOWLEDGEMENT

Karen Elsom, FSA, MAAA, of the actuarial firm Lewis & Ellis, Inc. reviewed the reserve portion of the examination. Lindsey Pittman, CPA, CFE, CISA, AES, MCM, of Lewis & Ellis Inc. reviewed the information technology portion of the examination. Malis Rasmussen, MSA, CFE, SPIR, Chief Examiner, supervised the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers and representatives of the Company.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Angela" followed by a stylized monogram or set of initials.

Angela Alires, PIR

Examiner-in-Charge

Utah Insurance Department